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MANITOU-BARVUE MINES LIMITED

ANNUAL REPORT 1967

FOR THE YEAR ENDED DECEMBER 31

MANITOU-BARVUE MINES LIMITED

OFFICERS	J. E. COPELAND <i>President</i>
	T. L. MANSFIELD <i>Vice-President</i>
	WILLIAM JAMES <i>General Manager</i>
	G. D. PATTISON <i>Secretary-Treasurer</i>
	R. D. BELL <i>Assistant Secretary</i>
	S. A. PERRY <i>Assistant Treasurer</i>
DIRECTORS	J. E. COPELAND Ottawa, Ont.
	J. I. CUMMINGS Ottawa, Ont.
	R. L. EHRLMAN Butler, Pennsylvania
	T. L. MANSFIELD Hamilton, Ont.
	G. D. PATTISON Aurora, Ont.
	A. J. THOMAS Ottawa, Ont.
	J. J. URIE, Q.C. Ottawa, Ont.
MINE MANAGER	A. K. CAMPBELL Val d'Or, Que.
CONSULTING GEOLOGISTS	W. F. JAMES, B. S. W. BUFFAM AND M. A. COOPER Toronto, Ont.
AUDITORS	THORNE, GUNN, HELLIWELL & CHRISTENSON Toronto, Ont.
TRANSFER AGENT AND REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ont.
HEAD OFFICE	SUITE 509, 25 ADELAIDE ST. W. Toronto, Ont.
MINE OFFICE	VAL D'OR, QUEBEC
ANNUAL MEETING	Suite 510, 25 Adelaide St. West, Toronto, Ontario. 11:00 A.M., June 24, 1968.

MANITOU-BARVUE MINES LIMITED

Suite 509, 25 Adelaide Street West
Toronto 1, Ontario

Report of the President and Directors

To the Shareholders,
MANITOU-BARVUE MINES LIMITED.

Your directors submit herewith the Annual Report of the company for the year ended December 31, 1967. Included in this report are the general manager's report on the operations, the financial statements and the auditors' report.

The financial results of 1967 were disappointing. During the year a net loss of \$103,471 was incurred compared with a profit of \$867,778 in 1966. This sharp reversal of earnings in the past year is primarily due to the lower grade of ore treated. The mill heads of the copper ore were 0.69% copper in 1967 compared with 0.93% in 1966. The grade of the zinc ore was also lower with a 1967 average of 2.61% zinc and 1.34 oz. silver per ton compared with 3.72% zinc and 2.75 oz. silver per ton in 1966.

It is hoped that the grade of copper ore treated in 1968 will be higher than the average in 1967. The copper ore reserves are sufficient to maintain the present operations until the end of 1968. However, it is impossible to accurately predict when the mining of the present copper reserves will cease as this will be dependent upon the grade obtained and the prevailing copper prices. Considerable efforts are being made to reduce future operating costs despite increasing costs of labour and materials.

With the increase in the price of silver from \$1.30 to over \$2.00 per ounce during the last half of 1967 it is quite probable that additions will be made to the silver-zinc ore reserves. A thorough exploration and development programme is planned in this regard.

A reasonable operating profit was made in December of 1967 and this trend has continued to date.

On behalf of the Board,

J. E. COPELAND,
President.

Toronto, Ontario,
May 27, 1968.

MANITOU-BARVUE MINES LIMITED

Report of the General Manager

To the President and Directors,
Manitou-Barvue Mines Limited.

This report summarizes the results of operations at Manitou-Barvue Mines Limited for the year 1967.

Except for several shut downs due to mechanical causes, which totalled approximately seven days for the zinc circuit and three days for the copper circuit, the mine and mill operated for 12 months.

MILLING:

The copper milling section processed 294,640 tons of ore during the year compared with 295,875 tons in 1966. The grade of ore treated averaged 0.69% copper, as compared with 0.93% copper in 1966. The decreased grade accounts for the large reduction in pounds of copper produced.

The amount of gold in the copper continued to decrease, but the amount of gold in the zinc ore increased slightly. There were 6,666 ounces of gold produced in 1967 compared to 6,811 ounces in the previous year.

In the zinc section of the mill 181,350 tons of ore were treated compared with 173,130 tons in 1966. The zinc and silver and lead content of the ore treated were lower than that treated in the previous year. This was due to a continued increase in the proportion of muck drawn from the low grade zone. From September to year end all zinc ore was produced from this zone.

The following table compares the grade of zinc ore treated in 1967 with that treated in 1966:

	<u>1967</u>	<u>1966</u>
Zinc	2.61%	3.72%
Gold	0.029 oz.	0.026 oz.
Silver	1.34 oz.	2.75 oz.
Lead	0.15%	0.32%

The following table gives comparative metal production of 1967 and 1966:

	<u>Amount Produced 1967</u>	<u>Amount Produced 1966</u>
Zinc	8,199,769 lbs.	11,654,648 lbs.
Lead	430,899 lbs.	904,538 lbs.
Copper	3,823,775 lbs.	5,219,725 lbs.
Silver	200,020 ozs.	371,647 ozs.
Gold	6,666 ozs.	6,811 ozs.

NOTE: Because of the strike at the lead smelter in U.S.A. no shipment of lead concentrate was made after July. Therefore the metal content of lead concentrate production is estimated from mine data rather than smelter returns.

MINING:

Exploration in the zinc zone on the 3990 level was completed in February without finding additional ore.

Exploration on the downward extension of the copper zone was also completed on the 3090 level with negative results.

The last of the high grade stopes in the lower part of the mine was exhausted in September and in the latter part of the year all zinc ore was mined from large low grade stopes between the 1410 and the 1710 levels.

All known ore reserves have now been mined from the #2 shaft area which services the bottom section of the mine from the 2940 to the 3990 levels. Accordingly salvage operations have been started and are presently over 50% complete.

Stoping operations in the copper zone continued on all levels between the 510 and the 2180 horizon.

ORE RESERVES:

The reasonably assured reserves as of December 31, 1967 are listed in the following table. These figures include an allowance for dilution.

CLASS OF RESERVE:

	<u>Tons</u>	<u>AVERAGE GRADE</u> <u>Ozs. Gold</u>	<u>Ozs. Silver</u>	<u>% Zinc</u>
Zinc Ore Above the 2790 Level				
Shrinkage Zone				
Broken Ore	5,054	.011	4.26	1.24
Blast Hole Zone				
Stopes — Solid Ore	128,721	.047	0.50	3.02
— Broken Ore	51,913	.020	0.50	2.89
Pillars — Solid Ore	100,948	.036	0.50	2.77
Total Zinc Ore	286,636	.038	0.57	2.88

Copper Ore Above the 2790 Level

				<u>% Copper</u>
Broken Ore	98,228	.006	.11	0.78
Solid Ore	226,806	.008	.14	0.85
Total Copper Ore	325,034	.007	.13	0.83

During the year preparation and much of the long hole drilling of the low grade zinc ore between the 1410 and 1720 levels was completed and since no new ore was added, and since higher dilution than expected occurred in the west stopes resulting in loss of some ore, the assured reserves show a decrease of 196,000 tons, after mining 181,000 tons.

At the year end the copper ore reserves had a net decrease of 20,000 tons after mining approximately 295,000 tons. As in 1966 most of this new ore was encountered in extensions of ore sections mined during the year.

COSTS:

Tabulated below are the mine operating costs for the year 1967 compared with similar costs in 1966:

	1967	1966
Mining	3.11	3.25
Development	0.15	0.28
Milling	1.04	1.09
Marketing	0.01	0.03
General	1.15	1.26
	<u>\$ 5.46</u>	<u>\$ 5.91</u>

The decrease in operating costs is primarily the result of increased emphasis on long hole mining and reduction in the exploration and development programme. During the year the number of persons on the mine payroll was reduced 17% from 308 to 255 men.

This decrease in overall operating costs was achieved despite a 15% increase in hydro-electric power costs effective September 1, and a 12.5% increase in wages effective April 14.

There were no capital expenditures during the year.

GENERAL:

Since July the price of silver has risen from \$1.30 U.S. to over \$2.00 U.S. per ounce. With a continuation of this price it is quite probable that it will be feasible to mine some additional tonnages of silver-zinc material which was not previously considered to be ore.

The efficient work of the Mine Manager, Mr. A. K. Campbell, his staff and employees is gratefully acknowledged. They have achieved lower operating costs despite the escalation of many of the factors which form the basis of these costs.

WILLIAM JAMES,
General Manager.

Toronto, Ontario,
May 3, 1968.

MANITOU-BARVUE MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1967 (with comparative figures at December 31, 1966)

ASSETS

	1967	1966
Current Assets		
Cash	\$ 34,030	\$ 115,816
Short-term deposit		75,000
Accounts receivable	1,211	39,385
Concentrates and precipitates, at estimated net realizable value	759,541	787,211
Prepaid expenses	2,759	10,854
	<u>797,541</u>	<u>1,028,266</u>
Other Assets		
Operating supplies, at cost	255,884	340,291
Special refundable tax	1,998	1,957
	<u>257,882</u>	<u>342,248</u>
Fixed Assets		
Mine buildings, plant and equipment, at cost (note 1)	500,905	500,344
Mining lands and rights, including surface rights, at the consideration given therefor, consisting of 123,897 shares of capital stock valued at \$150,846 and \$90,651 cash	241,497	241,497
	<u>742,402</u>	<u>741,841</u>
	<u>\$1,797,825</u>	<u>\$2,112,355</u>

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	\$ 176,168	\$ 169,448
Provision for severance pay	160,000	120,000
Provision for mining tax		52,500
Special refundable tax payable		1,957
	<u>336,168</u>	<u>343,905</u>
Long-Term Liabilities		
5% Convertible sinking fund debentures (note 2)		
In U.S. funds	1,069,029	1,069,029
In Canadian funds	690,333	925,794
	<u>1,759,362</u>	<u>1,994,823</u>
Total liabilities	<u>2,095,530</u>	<u>2,338,728</u>

CAPITAL STOCK AND DEFICIT

Capital Stock (note 2)		
Authorized — 8,500,000 shares of \$1 par value		
Issued — 2,899,673 shares	2,899,673	2,899,673
Less discount thereon (net)	675,118	675,118
	<u>2,224,555</u>	<u>2,224,555</u>
Deficit	<u>2,522,260</u>	<u>2,450,928</u>
Excess of deficit over capital stock	(297,705)	(226,373)
	<u>\$1,797,825</u>	<u>\$2,112,355</u>

Approved on behalf of the Board:

J. E. COPELAND, Director.

G. D. PATTISON, Director.

MANITOU-BARVUE MINES LIMITED

AUDITORS' REPORT

To the Shareholders of
Manitou-Barvue Mines Limited:

We have examined the balance sheet of Manitou-Barvue Mines Limited as at December 31, 1967 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the omission of depreciation referred to in note 1, we report that in our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Toronto, Canada
March 14, 1968

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1967

1. MINE BUILDINGS, PLANT AND EQUIPMENT

No provision has been made for depreciation of buildings, plant and equipment since the inception of the company in 1950.

2. CONVERTIBLE SINKING FUND DEBENTURES

The 5% convertible sinking fund debentures mature December 31, 1977. Sinking fund payments of \$400,000 or 75% of the net profits of the company for the preceding year, whichever is the greater, are to be made for the redemption of the debentures on or before May 15 in each year. Such payments may be in cash or by deposit with the trustee for cancellation of debentures purchased by the company from the holders. The principal amount of debentures redeemed, purchased or converted in excess of the amount required shall be credited against future sinking fund payments.

During 1967 the company purchased for cancellation directly from various holders \$235,461 principal amount of debentures at a cost of \$182,372. The debentures purchased by the company have been delivered to the Trustee for cancellation.

The aggregate amount of debentures purchased for cancellation in 1966 was in excess of the sinking fund obligation in respect of 1966 and 1965 profits and hence no funds were required to be deposited with the Trustee in 1967.

Supplemental indentures provide that no interest be paid on the debentures for the year 1962 to 1967 inclusive.

The debentures are convertible into shares of the capital stock of the company on or before December 31, 1970, at the price of \$1.50 per share. There are 2,381,772 shares reserved for future conversion.

3. PROVISION FOR MINING TAX

Assessments respecting duties payable under the Quebec Mining Act for the years ended December 31, 1959 to 1962 inclusive are being contested. An adverse decision could result in additional liabilities of approximately \$85,000.

4. INCOME TAXES

No provision for income taxes is required for 1966 because of the availability for tax purposes of preproduction expenditures and capital cost allowances.

5. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) for 1967 is as follows:

Directors	\$ 12,000
Senior employees	59,540
	<u>\$ 71,540</u>

6. COMPARATIVE FIGURES

The 1966 figures have been reclassified on the basis of presentation used for 1967.

MANITOU-BARVUE MINES LIMITED

STATEMENT OF INCOME

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Sales of concentrates	\$2,543,604	\$3,737,689
Other income	582	5,533
	<u>2,544,186</u>	<u>3,743,222</u>
Operating expenses		
Development	71,974	131,286
Mining	1,478,997	1,522,239
Milling	493,293	512,447
General mine expense	545,900	589,975
Administrative expense	50,493	47,945
Mining tax		64,552
Directors fees	7,000	7,000
	<u>2,647,657</u>	<u>2,875,444</u>
Net income (loss) for the year (notes 1 and 4)	<u>\$ (103,471)</u>	<u>\$ 867,778</u>

STATEMENT OF DEFICIT

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Deficit at beginning of year	\$2,450,928	\$3,949,084
Add		
Loss for the year	103,471	
Uncollectible account receivable	20,950	
	<u>2,575,349</u>	<u>3,949,084</u>
Deduct		
Net income for the year		867,778
Gain on purchase for cancellation of 5% convertible sinking fund debentures	53,089	630,378
	<u>53,089</u>	<u>1,498,156</u>
Deficit at end of year	<u>\$2,522,260</u>	<u>\$2,450,928</u>

MANITOU-BARVUE MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Source of funds		
Operations		
Net income for the year		\$ 867,778
Mining claims abandoned not involving a current outlay of funds		700
		<u>868,478</u>
Sale of fixed assets	\$ 225	830
Reduction of operating supplies	84,407	32,240
	<u>84,632</u>	<u>901,548</u>
Application of funds		
Operations		
Loss for the year	103,471	
Purchase for cancellation of 5% convertible sinking fund debentures	182,372	824,140
Uncollectible account recivable	20,950	
Purchase of fixed assets	786	
Special refundable tax	41	1,957
	<u>307,620</u>	<u>826,097</u>
Increase (decrease) in working capital	(222,988)	75,451
Working capital at beginning of year	684,361	608,910
Working capital at end of year	<u>\$ 461,373</u>	<u>\$ 684,361</u>

